

Internal Monitoring Report

Policy #: O-2D Affordability

Monitoring Frequency: Annual

Date: May 23, 2017

Policy Language:

Madison Water Utility customers will pay an affordable rate for water, including the financing of necessary replacement of water distribution plant and improvements to water treatment.

With a goal of maintaining affordable water rates and funding necessary improvements to the water supply system, Madison Water Utility shall:

1. Maintain its water rates between the 25th and 75th percentile for Class AB utilities (those serving 4,000 customers or more) in Wisconsin.
2. Apply for a necessary rate increase (subject to the adopted City of Madison Budget) that does not exceed an annualized rate of 9% per year. "Annualized rate increase" is defined as the increase beginning from the time when the last rate increase was fully effective to the estimated date the applied-for rate increase is anticipated to become fully effective, apportioned annually.
3. Generate its authorized return on rate base consumption (defined as per F-23 of the Utility's Annual Report to the PSCW). This sets a reasonable return on investment as determined by an outside party, the PSCW. The allowable return on investment is comparable to that of other publically and privately owned utilities in Wisconsin. By maximizing this return, the utility will have revenue necessary and reasonable for reinvestment in system improvements, and operations and maintenance expenses.
4. Petition for water rates that will complement economic growth in Madison.

General Manager's interpretation and its justification:

1. "Water rates" in this context means the average residential customer bill. To make a like-kind comparison, a quarterly billing frequency is used across the board and consumption is assumed to be 18,750 gallons per quarter, which matches the middle amount used by the Public Service Commission of Wisconsin for bill comparisons. Nonresidential water rates cannot be compared on an "apples-to-apples" basis due to differences in meter sizes, water uses, and rate structures. The question of nonresidential water rates relates to paragraph #4 below. The Public Service Commission of Wisconsin sets all class rates based on cost-of-service for a particular class (residential, commercial, industrial and public authority).
2. An annualized rate increase not to exceed 9% means the increase is 9% or less beginning from the date when the last rate increase became fully effective, to the estimated date the applied-for rate increase is anticipated to become fully effective, apportioned annually (subject to the adopted City of Madison Operating Budget).

3. Return on rate base is computed on page F-23 of the Madison Water Utility Annual Report to the Public Service Commission of Wisconsin. Madison Water Utility has a return on rate base authorized by the Public Service Commission of Wisconsin.
4. Water rates likely do not play a large role in private sector economic decisions except in the potential case of water intensive industries. This will be confirmed and monitored through coordination with the City of Madison's planning and economic development staff.

Data directly addressing the General Manager's interpretation:

1. As the attached data show, the City of Madison's average residential customer water bill (if billed quarterly) would be \$74.70. The median is \$79.69. This is within the range prescribed in board policy.
2. Madison Water Utility's planned application for a rate increase will not exceed 9% per year on an annualized basis, beginning from the fully effective date of the last rate increase, September 29, 2015 to the estimated date increase is anticipated to become fully effective.
3. Return on rate base is computed on page F-23 of the 2016 Madison Water Utility Annual Report to the Public Service Commission of Wisconsin. Madison Water Utility currently is authorized for a 6.5% return on its rate base by the Public Service Commission of Wisconsin in its last rate order dated September 28, 2015. The return on rate base as computed in the 2016 Annual report was 5.56%.
4. Feedback from the City of Madison Department of Planning and Community and Economic Development indicates that the cost of water has not been raised as a concern for any future development, though large users would be sensitive to any future changes in supply and/or rates. The Water Utility's ability to provide high quality water service is viewed as an advantage.

I report compliance.

Attachment:

Residential Bill Comparison

Residential Bill Comparison
Wisconsin Class AB Utilities

Utility Name	County	Zero Usage	Quarterly Bill (18,750 gallons)	Date Rate Effective	End note
Howard Village Of Water & Sewer Department	Brown	\$50.70	\$179.14	11/20/2014	1,3
Superior Water Light And Power Company	Douglas	\$51.00	\$177.25	1/1/2013	1
Allouez Village Of Water Dept	Brown	\$33.00	\$154.65	3/1/2016	3
Menasha Electric & Water Utilities	Winnebago	\$33.00	\$153.00	3/1/2012	1
Elkhorn Light And Water	Walworth	\$20.10	\$152.60	1/1/2015	1
Oshkosh City Of Water Utility	Winnebago	\$24.00	\$147.25	8/1/2016	1
Marinette Municipal Water Utility	Marinette	\$27.90	\$145.40	4/21/2015	1
Grand Chute Town Of Sanitary Dist 1	Outagamie	\$15.15	\$140.96	11/18/2013	3
Bellevue Water Utility	Brown	\$28.74	\$139.93	7/20/2015	1,3
Appleton Water Dept	Calumet	\$21.90	\$135.65	12/30/2010	1
De Pere Water Department	Brown	\$24.00	\$135.19	3/22/2011	1
Hartford City Of Utilities	Washington	\$40.50	\$133.31	1/8/2011	1
Fond Du Lac Water Utility	Fond du Lac	\$44.00	\$130.95	12/18/2015	1
Neenah City Of Water Utility	Winnebago	\$21.00	\$129.94	1/1/2011	1
Two Rivers Water & Light Utility	Manitowoc	\$32.85	\$127.85	1/1/2015	1
Kaukauna Utilities	Outagamie	\$30.75	\$126.25	1/1/2015	1
Franklin Municipal Water Utility	Milwaukee	\$25.22	\$121.47	6/23/2016	1,3
Watertown Water Department	Jefferson	\$25.20	\$120.20	4/15/2017	1
Menasha - Town Of - Utility District	Winnebago	\$19.20	\$113.02	3/1/2012	1,3
Pleasant Prairie Vill Of Wtr Uty	Kenosha	\$30.39	\$112.89	6/1/2015	1,3
Marshfield Utilities	Wood	\$24.90	\$111.15	1/1/2016	
Wisconsin Rapids Water Works & Lighting					
Commission	Wood	\$19.11	\$107.86	2/1/2017	1
Port Washington Mun water Utility	Ozaukee	\$20.87	\$104.62	1/3/2011	1
Antigo Utilities	Langlade	\$27.18	\$99.18	1/4/2016	1
Caledonia Village of Water Utility	Racine	\$21.31	\$97.31	10/15/2016	3
Little Chute Municipal Water Dept	Outagamie	\$19.11	\$96.74	9/29/2015	1
New Berlin Water Utility	Waukesha	\$15.28	\$94.97	1/1/2017	3
South Milwaukee Water Utility	Milwaukee	\$18.54	\$94.54	12/31/2013	
Menomonee Falls Village Of Wtr Uty	Waukesha	\$11.52	\$92.33	1/1/2017	
Glendale Water Utility	Milwaukee	\$26.25	\$91.69	6/17/2015	1
Oak Creek Water & Sewer Utility	Milwaukee	\$27.58	\$91.14	6/6/2016	1
Ashwaubenon Water And Sewer Utility	Brown	\$24.00	\$87.38	6/1/2006	1
Waukesha Water Utility City Of	Waukesha	\$24.10	\$86.84	4/24/2015	
Sturgeon Bay Utilities	Door	\$24.00	\$85.88	8/30/2013	1
Oconomowoc City Of Utilities	Waukesha	\$23.10	\$85.54	9/16/2011	
Wauwatosa Water Utility	Milwaukee	\$15.00	\$85.38	11/29/2016	1,3
Plover Vill Of Mun Wtr Uty	Portage	\$18.00	\$83.06	9/14/2001	1
Greendale Village of Water Utility	Milwaukee	\$20.27	\$82.71	4/1/2017	3
Sparta Municipal Water Dept	Monroe	\$24.75	\$81.50	2/15/2016	
Racine Water works Commission	Racine	\$20.88	\$77.88	8/24/2014	
Whitefish Bay Village Of Wtr Uty	Milwaukee	\$20.70	\$76.45	7/1/2012	1
West Allis Municipal Water Utility	Milwaukee	\$18.96	\$75.46	12/1/2015	1,3
Madison Water Utility	Dane	\$17.10	\$74.70	9/29/2015	1
Lake Geneva Utility Commission	Walworth	\$18.00	\$74.25	3/16/2016	
West Bend City Of Water Uty	Washington	\$20.10	\$73.60	4/1/2011	1
Green Bay Water Utility	Brown	\$15.75	\$72.50	11/5/2015	1
Darboy Joint Sanitary District No 1	Outagamie	\$17.51	\$71.89	7/1/2014	

Residential Bill Comparison
Wisconsin Class AB Utilities

Shawano City of Water & Sewer Utility	Shawano	\$25.50	\$71.75	2/28/2015	1
Beaver Dam Water Utility	Dodge	\$13.20	\$71.45	3/1/2005	1
Grafton Water & Wastewater Utility	Ozaukee	\$20.86	\$71.11	9/20/2016	1
Cudahy City of Water Utility	Milwaukee	\$15.75	\$70.75	1/1/2016	
Waunakee Water And Light Commission	Dane	\$20.25	\$69.94	12/1/2015	1
Brookfield Municipal Water Utility	Waukesha	\$14.58	\$68.93	12/1/2015	
Wausau Water Utility	Marathon	\$15.60	\$68.10	4/1/2015	1
Milwaukee Water Works	Milwaukee	\$17.46	\$67.96	9/1/2016	1
Stoughton Water Utility	Dane	\$24.00	\$67.13	5/1/2016	1
Menomonie City Of Water Dept	Dunn	\$13.50	\$66.00	12/1/2015	1
Kenosha Water Utility	Kenosha	\$15.15	\$65.15	6/1/2015	1
Stevens Point Mun Water Utility	Portage	\$25.50	\$65.00	5/1/2012	
Eau Claire Municipal Water Utility	Eau Claire	\$21.00	\$62.25	4/1/2014	1
Verona Water Utility	Dane	\$15.71	\$62.02	3/16/2016	
Fort Atkinson City Of Water Utility	Jefferson	\$17.70	\$61.95	9/1/2013	1
Middleton Municipal Water Utility	Dane	\$13.50	\$60.94	7/1/2015	
Weston Water Utility	Marathon	\$18.00	\$60.31	3/18/2009	
Monroe Municipal Water Utility	Green	\$15.30	\$59.30	3/5/2014	
Beloit Water Utility	Rock	\$21.00	\$59.00	5/1/2017	1
Sun Prairie Utilities	Dane	\$17.40	\$58.90	1/6/2016	1
Germantown Water Utility	Washington	\$15.27	\$58.21	12/15/2014	
Fitchburg Water Utility	Dane	\$15.00	\$56.73	6/8/2016	1
Chippewa Falls Dept of Public Utilities	Chippewa	\$19.20	\$56.70	1/1/2015	1
Manitowoc Public Utilities	Manitowoc	\$15.45	\$56.20	6/1/2015	1
Onalaska Municipal Water Utility	La Crosse	\$16.50	\$54.00	6/10/2016	
Baraboo City Water Works	Sauk	\$21.96	\$53.46	1/1/2017	1
River Falls Municipal Utility	Pierce	\$24.00	\$52.83	6/27/2016	1
La Crosse Water Utility	La Crosse	\$23.18	\$49.43	1/1/2016	
Janesville Water Utility	Rock	\$12.12	\$49.22	1/20/2017	1
Hudson Public Utilities	Saint Croix	\$10.20	\$48.45	7/1/1997	1,5
Sheboygan Water Utility	Sheboygan	\$11.70	\$46.70	1/1/2016	1
Median			\$79.69		
Average			\$90.04		

Endnotes:

- 1- Bills do not include Public Fire Protection which the municipality has chosen to direct charge to customers.
- 2- To the extent Public Fire Protection is provided, the charge is included as part of the general service rates.
- 3- Bills include any applicable Purchased Water Adjustments.
- 4- Utility provides only unmetered service at a flat rate.
- 5- Hudson Water Utility serves Hudson and North Hudson.
- 6- Milwaukee Water Utility provides suburban retail service to several communities in the Milwaukee area under this rate